

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Trunkline Gas Company, LLC**

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**Docket No. CP12-491-000**

**NOTICE OF INTERVENTION, PROTEST  
AND REQUEST FOR A TECHNICAL CONFERENCE OF  
MICHIGAN PUBLIC SERVICE COMMISSION**

Pursuant to Rules 211, 212 and 214 of the Federal Energy Regulatory Commission's ("Commission") Rules of Practice and Procedure (18 C.F.R. §§ 385.211, 385.212 and 385.214), the Michigan Public Service Commission ("MPSC") hereby provides notice of its intervention and protest in the above-captioned proceeding and requests that the Commission conduct a Technical Conference for the purpose of exploring the implications of the application made by Trunkline Gas Company, LLC ("Trunkline") in this proceeding. In support hereof, the MPSC states the following:

**I. NOTICES AND COMMUNICATIONS**

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## II. NOTICE OF INTERVENTION

The MPSC is an agency of the State of Michigan, created by 1939 Pub. Acts 3, Mich. Comp. Laws Ann. § 460.1 *et seq.* As the Michigan regulatory agency having jurisdiction and authority to control and regulate rates, charges, and conditions of service for the retail sale of natural gas and electricity in the State, the MPSC is a “state commission” as defined in 16 U.S.C. § 796(15) and 18 C.F.R. § 1.101(k) (2006).

On July 26, 2012, Trunkline filed an application requesting approval to abandon 770-miles of mainline transmission pipeline and appurtenant facilities by sale to an affiliate to be designated by its parent, Energy Transfer Equity, L.P. (“Energy Transfer”). Trunkline asserts that, following the abandonment, these pipeline facilities will be converted to oil pipeline transmission service. The facilities that Trunkline proposes to abandon are among those used to provide interstate natural gas transportation service to entities in Michigan and the requested abandonment may directly affect service to such entities. Accordingly, the MPSC has a direct and unique interest in this proceeding and is entitled to party status upon filing this Notice of Intervention pursuant to 18 CFR §385.214(a)(2).

## III. PROTEST AND REQUEST FOR A TECHNICAL CONFERENCE

### **A. The Permanent Cessation of Service Contemplated in Trunkline's July 26 Application Raises Important Issues that Call into Question the Continuity and Stability of the Existing Service.**

In its July 26 Application, Trunkline explains that it intends to abandon 770-miles of pipeline consisting primarily of two segments: 45.02 miles of 24” pipe from Valve 43-1 near Buna, Texas to the Longville Compressor Station; and 725.46 miles of 30” pipe

from the Longville Compressor Station to the Tuscola Compressor Station.<sup>1</sup> Trunkline is also requesting authorization to abandon in place twelve (12) compressor units totaling 15,850 horsepower (“Compression Facilities”).<sup>2</sup> The proposed abandonment, if approved, would reduce Trunkline’s certificated winter mainline capacity by approximately 597 MDt/d (from the current level of 1,555 MDt/d to 958 MDt/d).<sup>3</sup> In addition to this 38% reduction in mainline capacity, Trunkline’s certificated capacity out of the Texas portion through the Longville Compressor Station will be reduced from 1109 MDt/d to 920 MDt/d.<sup>4</sup>

The facilities that Trunkline proposes to abandon are certificated facilities used to transport natural gas in interstate commerce subject to the jurisdiction of the Commission. The proposed abandonment is subject to the requirements of Section 7(b) of the Natural Gas Act.<sup>5</sup> Pursuant to Section 7(b), a grant of abandonment authorization is appropriate when the Commission finds that the supply of natural gas that can be accessed by the subject facilities has decreased to the extent that the continuation of service on the facilities is unwarranted, or that other considerations support a finding that the abandonment is permitted by the present or future public convenience and necessity.<sup>6</sup> The applicant seeking to abandon service has the burden to show that the proposed abandonment is consistent with the public convenience or necessity.<sup>7</sup>

The Commission will consider all relevant factors in determining whether a proposed abandonment is warranted. In doing so, the Commission has indicated that the

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<sup>1</sup> Application at 3.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.* at 3-4.

<sup>4</sup> *Id.* at 4.

<sup>5</sup> 15 U.S.C. § 717f(b).

<sup>6</sup> *Id.* See *Pennsylvania Public Utility Comm’n v. FERC*, 881 F.2d 1123, 1127-28 (D.C. Cir. 1989); *Transcontinental Gas Pipe Line Corp v. FPC*, 488 F.2d 1325, 1328 (D.C. Cir. 1973), *cert. denied sub nom.*, *Natural Gas Pipeline Co. of America v. Transcontinental Gas Pipe Line Corp.*, 417 U.S. 921 (1974); *Northern Natural Gas Company*, 135 FERC ¶ 61,048, P35 (2011).

<sup>7</sup> *In re Florida Gas Trans. Co.*, 13 FERC ¶ 63,048 (1980).

primary consideration in assessing the public convenience and necessity is the impact the abandonment will have on the continuity and the stability of the existing services.<sup>8</sup> The MPSC recognizes that while the Commission is sensitive to the economic realities faced by pipelines, there is, however a presumption in favor of continued certificated service.<sup>9</sup>

Trunkline has not carried its burden of demonstrating that a permanent cessation of service over the facilities at issue is warranted at this time. The proposed abandonment, as explained below, raises numerous issues not addressed in Trunkline's application. The MPSC therefore requests that the Commission convene a technical conference to further analyze the extent to which the capacity subject to abandonment is needed to serve the existing and future natural gas demands of the region and to analyze the impact of removing such capacity on the reliability of natural gas service to consumers in Michigan.

**B. FERC Should Consider the Impact the Permanent Cessation of Service Contemplated in Trunkline's July 26 Application Will Have on Natural Gas (and Electric) Reliability in the Region.**

The MPSC is concerned that more information and analysis are needed before an informed decision can be made on the appropriateness of Trunkline's application. The MPSC believes that interested parties and regulators should have an opportunity to assess the implications that an abandonment of such a significant amount of natural gas pipeline capacity could have on the natural gas and electric markets, on pending energy development initiatives and most importantly on the reliability of our regional gas and electric infrastructure. The MPSC is mindful that the economic downturn over the last five years, which has been especially severe throughout Michigan, may have diminished

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<sup>8</sup> *Northern Natural Gas Co.*, 135 FERC at P 35 (citing *Southern Natural Gas Co.*, 126 FERC ¶ 61,246 (2009)).

<sup>9</sup> *Id.* (citing *Transcontinental Gas Pipe Line Corp. v. FPC*, 488 F.2d 1325 at 1330 (D.C. Cir. 1973)), *cert denied sub nom., Natural Gas Pipeline Co., v. Transcontinental Gas Pipe Line Corp.*, 417 U.S. 921 (1974).

the incentive to execute long-term firm service contracts but this may change in the future. The MPSC believes that a thorough analysis of the implications that such a significant level of pipeline abandonment could have not only on the reliability of service to existing natural gas consumers, but also upon future region-wide electric and gas planning efforts and local re-development projects is essential. For this reason, the MPSC believes that, at a minimum, the Commission should establish a technical conference as a comprehensive forum to obtain needed information and to explore whether Trunkline's excess capacity is indicative of a permanently lost market or merely a function of the cyclical nature of changes in supply and demand and/or the economy.

One of the issues that should be explored at the technical conference is the impact of the proposed abandonment on existing demands for natural gas service. The MPSC is concerned that the capacity proposed to be abandoned currently is utilized to provide natural gas transportation service. The fact that the majority of such service is being provided on an interruptible, rather than firm, basis is not necessarily an indication that abandoning such capacity will not have an adverse impact on the reliability of existing natural gas service.

It is conceivable that the existence of surplus interstate pipeline capacity on Trunkline and other interstate pipelines serving Michigan has contributed to the trend of shippers relying on interruptible service because of little or no risk of interruption. That does not mean, however, that the abandonment of interruptible service currently provided by Trunkline is in the public interest. The MPSC is concerned that the removal of such a large block of pipeline capacity from the market could affect the ability of Trunkline and the ability of other pipelines in the state to adequately serve existing natural gas demands in Michigan.

This past month in Docket AD12-12, the Commission conducted a series of technical conferences throughout the nation to facilitate natural gas-electric cooperation and harmonization in the wake of new rules issued by the Environmental Protection Agency. One of the areas of extensive discussions at the conferences involved the anticipated new demands for natural gas-fired generation to replace the retirement of aging coal fleets and to backstop the increased reliance on intermittent renewable energy sources. Industry representatives discussed the importance of enhancing communications between the electric and gas industry to facilitate the exchange of important information relating to both the short-term system needs (*i.e.*, during maintenance outages and extreme weather conditions) as well as long-term demands (*i.e.*, coal fleet retirements and development of renewable resource demands that may require significant access to new natural gas-fired back up supplies). The MPSC supports the Commission's proactive efforts to insure the future reliability and security of the nation's combined energy infrastructure and therefore recommends that the Commission use a similar analysis to evaluate the instant Trunkline abandonment application. During the Commission's technical conference discussions it was reported that the average planning horizon for the development and construction of a natural gas pipeline is approximately seven (7) years. The lengthy time period that is needed to build a natural gas pipeline suggests that any decision to abandon service on an existing pipeline should not be limited to a review of the current system demands but instead should also evaluate numerous factors including the historical utilization of the Trunkline pipeline and the anticipated increased future reliance on natural gas throughout the Trunkline's service territory.

A technical conference could afford parties the opportunity to understand the effects of such an abandonment on the system's operations including whether the

abandonment of capacity could: 1) result in a reduction in system pressures thereby reducing the quality of existing service and the flexibility of Trunkline to offer more products/services that may be needed to meet the industries increased reliance on natural gas and renewable power resources; 2) increase the need for costly new compression in the future; or 3) impact the natural gas market by reducing access to diverse supplies.

Even assuming Trunkline's proposed abandonment can ultimately be demonstrated to be appropriate, the MPSC believes there are additional issues that should be explored in a technical conference including whether ratepayers should be entitled to any proceeds (in excess of net depreciated original cost) from a sale of the abandoned facilities. And if so, whether the transfer of these facilities to Trunkline's affiliate provides a true indication of the market value of such facilities (or whether Trunkline should be required to conduct an open season for the purpose of selling the facilities in order to ascertain the true value of the facilities)?

The MPSC is not implying that Trunkline should be expected to give away transportation capacity, but Trunkline's last Section 4 rate case was in RP96-129 and it would therefore be helpful to understand exactly what level of (long-term or short-term) firm commitment is needed in light of the existing (firm and interruptible) revenues the pipeline has collected as compared to its overall cost of service.

#### IV. CONCLUSION

WHEREFORE, for the reasons stated above, the MPSC respectfully requests that the Commission either reject Trunkline's July 26 Application as premature or establish a technical conference for the purposes discussed herein.

Respectfully submitted,

MICHIGAN PUBLIC SERVICE COMMISSION

By /s/ *Kelly A. Daly*

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August 29, 2012

Its Attorneys

#### CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 29<sup>th</sup> day of August, 2012

/s/ *Kelly A. Daly*